

Greater Tompkins County Municipal Health Insurance Consortium

Audit and Finance Committee

November 20, 2014

1:30 p.m.

Old Jail Conference Room

Agenda

1. Call to Order Thayer
2. Approve Minutes of October 23, 2014 Meeting (1:30)
3. Executive Director's Report (1:35) Barber
 - a. Update Recertification
4. Financial Update (1:40) Locey
5. Stop Loss Insurance Carrier Update (1:50) Locey
6. Recommend Approval of Excellus Administrative Services Contract - 2015 (1:55) Locey
7. Discussion with Tony Vitagliano VP of Provider Relations and Mary Stubleby Provider Management of Excellus (2:00) Miller
8. Recommend Policy for New Members Surplus Reserve Liability (2:30) Barber
9. Recommend policy for non-proration of premiums (2:40) Barber
10. Recommend Request for Proposals be Issued for GASB45 services (2:45) Barber
11. Next Agenda Items (2:50)
12. Adjournment (2:50)

Next meeting: December 18, 2014

Minutes - draft
Audit and Finance Committee
October 23, 2014
1 p.m.
Legislature Chambers

Present: Steve Thayer, Glenn Morey, Mack Cook, Peter Salton (arrived at 1:35 p.m.), Laura Shawley (arrived at 1:13 p.m.); Chuck Rankin
Excused: Scott Weatherby
Others: Don Barber, Judy Drake, Rick Snyder, Steve Locey, Lisa Christian, Brooke Jobin

Call to Order

Mr. Thayer, Chair, called the meeting to order at 1:06 p.m.

Approval of Minutes of September 25, 2014

It was MOVED by Mr. Morey, seconded by Mr. Cook, and unanimously adopted by members present, to approve the minutes of the September 25, 2014 meeting as submitted. MINUTES APPROVED.

Executive Director's Report

Mr. Barber said most of the items he will report on will be discussed later in the meeting. He said he spoke with Beth Miller about scheduling a meeting with the head of the rate negotiation unit of Excellus and he will keep the Committee informed when dates are proposed. He and Mr. Locey have been approached to speak with two municipalities in Cortland County (Village of Homer and the Town of Willett) who have expressed a strong interest in joining the Consortium. If they would like to join on January 1st they will need to take action very soon.

The Joint Committee on Plan Structure and Design has not met since the last meeting of this Committee. At their next meeting they will be discussing the Bronze Plan that Mr. Locey has put together and will be leaning about plan development. They will also be discussing what they view the role of the Committee to be within the Consortium.

Mr. Barber provided an update on the Recertification process and said the Board of Directors approved a resolution that was recommended by this Committee. He subsequently met with all the benefit clerks to discuss the plan, timeline, documentation, and notification letter. In the last few days it was learned that the County and the City have a policy that doesn't cover children of domestic partners which was in the document that was adopted by the Board. It is his opinion that the autonomy of the member municipalities has to be preserved and he does not believe this is a Consortium issue. Mr. Locey did not see this as a big issue and said if a municipality does not want to include children of domestic partners it is not a problem.

Mrs. Shawley arrived at this time.

From a rating perspective Mr. Locey said the Consortium doesn't treat a family with a domestic partner any different than a family with a spouse other than the employer's limiting the access for the kids. In terms of the recertification process those sheets can be removed from the packet of forms. The City and the County have removed language from the letters they sent to employees referencing children of domestic partners.

Ms. Jobin asked how many municipalities in the Consortium have the Domestic Partner rider and it was unknown. Mr. Locey said the Affordable Care Act did not mandate domestic partnership coverage and stated there is a rider available for most insurance companies in New York State. The State does not view this as any additional risk because it is no different than adding a spouse. He said it is an employer by employer decision and the only complication the Consortium has now is that it is written in all of the plan documents so plan documents will need to be developed for with and without domestic partner and plans for with and without children of a domestic partner. Mr. Barber asked if this would be necessary if the employer decides not to enroll them. Mr. Locey said he will contact the State and ask if documents need to be refiled; however, he noted that if someone read the plan document and sees domestic partner coverage they may question why they don't have it even if their employer doesn't allow it. This will not impact the recertification process moving forward.

Financial Update

Mr. Locey reviewed 3rd quarter financial results and reported the Consortium is still in really good shape from a budget perspective. The Consortium is on target with budgeted expenses and is slightly below budget on revenue on medical plan premium which has to do predominantly with the County's change in prescription drug coverage mid-year. There should be a commensurate reduction in claims at some point as a result of that change. The Consortium is still accumulating some income and is showing at the end of the 3rd quarter a net income of \$3 million and there is an ending balance of slightly over \$14 million and an unencumbered balance of \$8 million.

Mr. Locey reviewed expense distribution and reported a little over \$.93 of each dollar is going to pay claims. Cumulatively over the years the Consortium is .65% below what had been budgeted. He noted that there was an anticipation of building revenue when the budget was first put together and in looking forward in 2018 and 2019 that won't be happening any longer. Members need to stay aware that if there continues to be 4 to 5% increases in rate and claims continue to rise at an 8% level it will eventually result in a rate increase that is more commensurate with the rate of the claims increase. As long as there is fund balance to fall back on and the amount of income versus expense is going down Mr. Locey said the Consortium will be able to maintain fairly lower premium equivalent rate increases. He said slight periodic changes in benefit levels over time will help to offset the amount of rate increase needed.

Mr. Locey provided an update on the status of the renewal of the Excellus Administrative Services contract. He said the administrative rate Excellus is currently quoting is a 3% increase in 2015, 3.5% in 2016, and 3.5% in 2017. When discussions began Excellus was quoting 4%, 4.5%, 4.5% and they were told that level of increase was not acceptable. In terms of the cash advance they are asking for an increase, however, the Consortium will be asking for a decrease in the cash advance to the value of one week's worth of claims instead of two week's worth of claims. This would return slightly over \$400,000 to the Consortium. They have a security requirement of approximately \$3.1 million that is held by the Consortium and the IBNR (Incurred But Not Reported) account which has more than that and should be satisfactory to meeting that requirement. Mr. Locey will make arrangements with Excellus for a face-to-face meeting in early November as it was the consensus of the Committee to further negotiate the rate. Mr. Cook and Mr. Thayer agreed to meet with Excellus representatives along with Mr. Locey and Mr. Barber.

Mr. Locey reported on Stop Loss and said the only quote received was from Highmark; declinations were received from Excellus, HCC Life, Sun Life, and VOYA. Each felt the rate was too low and the history of the group did not make it viable for their companies.

Mr. Salton arrived at this time.

Mr. Locey reviewed the quotes by Highmark Life Insurance Company, stating in one quote there is a \$450,000 laser on one individual and the second quote contains no laser. If the Consortium went to the \$400,000 level with unlimited annual and lifetime with the laser it would be 13.85% below what was budgeted and without the laser it would be 9% below what was budgeted. He recommended the Consortium take the option with no laser because the additional reserve was built and the Consortium has the financial resources take on the additional risk. He said in looking at the premium differential it is a \$35,000 difference in premium for \$150,000 more in exposure.

Mr. Locey said a letter has been sent to the State asking for consideration in waiving the aggregate insurance requirement.

It was MOVED by Mr. Morey, seconded by Mr. Salton, and unanimously adopted by voice vote by members present, to recommend the Board of Directors approve a contract for Stop Loss insurance for 2015 with Highmark Insurance Company for Option No. 6 containing a deductible of \$400,000 with no laser. MOTION CARRIED.

Discussion of Capitalization Payment for New Members

Mr. Barber quoted from Resolution No. 005-2012 that adopted a policy for the process of new members applying for membership in the Consortium:

1. "Upon the Board of Director's approval of membership into the Consortium, the municipal corporation must pay their share of the "Surplus Account" as defined in §4706(a)(5)(A) which states the following:
 - (5) a surplus account, established and maintained for the sole purpose of satisfying unexpected obligations of the municipal cooperative health benefit plan in the event of termination or abandonment of the plan, which shall not be less than:
 - (A) five percent of the annualized earned premium equivalents during the current fiscal year of a municipal cooperative health benefit plan which consists of five or more participating municipal corporations and covers two thousand or more employees and retirees; or"

Said payment must be received by the Consortium 30 days prior to the effective date of the municipal corporation's entry into the Consortium."

Mr. Barber said all Capitalization monies have been returned to members and everyone that is a member did pay in at some point. The Consortium's newest members, the Town of Lansing and the City of Cortland, paid before they started and they have received all of their capital back when the full amount was repaid with 3% interest to all members. He said the main reason for acquiring those funds was to meet reserve requirements. There have been discussions with municipalities about joining and the Board needs to decide whether to continue to expect an initial investment from new members.

Mr. Cook said he believes the policy should be waived or amended so that new members coming in would have an equal standing to existing members and to not require capitalization funds from them. He said the initial reasoning for the Capitalization Reserve was sound but thinks the Consortium's current financial statements show the Consortium is well-funded. He said the role of the Consortium should be to assist other municipalities to achieve the same benefits and the Consortium should be proactive in extending that to other municipalities.

Mr. Morey asked if there is a concern new municipalities cannot afford the payment. Mr. Locey said it would diminish savings that they would have coming in. Mr. Cook said he sees an issue of fairness by having some municipalities having an investment and others not. Mr. Locey noted that the assets of the Consortium are owned on a percentage basis and would be prorated for the time a municipality was a member of the Consortium. The same would apply if some of the net cash assets were used to lower the rate and when they leave they would owe their proportionate share of that. This is outlined in the policy and in the Municipal Cooperative Agreement. Mr. Locey said the capital payment for the Village of Homer would be \$5,000 and the Town of Willett would be \$2,000.

Mr. Salton spoke of the long-term picture and said he did not support waiving the capitalization requirement of new members.

Mr. Barber said when a new member joins they pay more in premium the first month than they have in claims by a lot so the funds they are paying cover the surplus account and over a few months the claims activity comes up to the full amount. He said the five percent is the new member's commitment to the Consortium and the initiation fee existing members went through. There was also a brief discussion of how new members would be paid back if there was an investment; however, no specific recommendation made.

Mr. Rankin said when the policy was created it was based on situation at the time which was sound. At this time he would support waiving the initial investment for new members.

It was stated that by joining the Consortium the Village of Homer would save \$4,000; however, the current policy would require them to pay \$5,000.

Ms. Drake suggested making a decision on a case-by-case basis and that there not be barriers to municipalities joining. Mr. Barber noted that the policy would need to be amended before new municipalities join. He will draft a resolution language to amend the policy to include wording that it would be left to the Board's discretion not to exceed the 5% which would allow it to go to any amount lower but not above 5%. Any resolution accepting a new member would also outline what, if any, initial investment would be required.

Mr. Locey noted that an increase in municipalities in the Consortium also provides for another member on the Board of Directors from labor and it would be up to the Joint Committee on Plan Structure and Design to select that member.

Discussion of Pro-Rated Premiums

Mr. Barber said he contacted insurance clerks to find out when they start insurance for new hires and when they end insurance coverage when terminated and there was no uniformity. Many municipalities, particularly the small municipalities, do not have a policy at all. Many

municipalities do not have this as part of their collective bargaining agreements and it may be considered past practice if a municipality were to change how this has been handled.

He reviewed the responses from municipalities on whether they prorate premiums and out of the four largest employers three are not prorating and one is. He recommended the Consortium establish a policy for municipalities to follow.

Ms. Drake said she had thought there was concern from a liability standpoint if someone were to leave employment in the middle of the month but not terminate on insurance until the end of the month. There are also times when an individual leaves employment with one municipality to go to another and questioned whether they are being covered twice. Mr. Locey said it would impact their Cobra window so it would start on the end of the month instead of mid-month. He said Excellus bills based on the number of contracts and is not concerned with when a person is terminated from insurance. Ms. Christian noted Excellus does prorate the administrative fees.

Mr. Snyder said he would like to see a comprehensive and consistent policy if possible moving forward. From an accounting standpoint he said any decision made can be accommodated.

Ms. Jobin said the proration of premiums touches a lot of software systems and said if the Consortium is going to engage in a different process she suggested a rollout period be considered. It was the consensus that policy would mirror the process that is currently in place for the City of Ithaca and Tompkins County.

Mr. Barber agreed to draft a policy resolution for no proration for the Committee to consider at its next meeting.

Discussion of GASB 45

Mr. Locey said in 2006 the Government Accounting Standards Board (GASB) changed their accounting practices for "Other Post-Employment Benefits" (OPEB) from the current "pay as you go" method to an accrual based accounting methodology for these related expenses. This requires municipal corporations to now put on their financial statements the value of other post-employment benefits, the primary being health insurance. It was rolled out in three stages; if a municipality had over \$100 million in total receipts it was rolled out in an additional year which was after the fiscal year starting after December 15, 2006, for municipalities with between \$10 million and \$99.9 million it was the following year and for municipalities under that it was the following year. For small municipalities with under 100 participants there is a simplified process that can be used to determine the value of other post-employment benefits. For those with \$100 million there has to be an actuarial calculation done of the value. He said Armory Associates does actuarial calculations for some but not all municipalities in the Consortium.

Mr. Locey said large employers have to have a full valuation done every year and an interim valuation done in between. Small municipalities have to do a full valuation done every three years. The County is currently paying a little more than \$9,700 for the annual valuation and \$2,000 for the interim valuation; the Cities of Cortland and Ithaca are paying \$8,000 for the full valuation and \$1,500 for the interim. The amount the smaller municipalities are paying ranges from \$2,500 to \$3,200 for the full valuation and \$1,000 for the interim.

This Committee is looking at this issue at the request of Mr. Cook to determine whether it should coordinate this service through the health insurance premiums in terms of payment and coordinate the service being provided through the Consortium to take advantage of opportunities to save money on fees and to have this removed from the operating budget at the local level and put in with health insurance expenses.

Mr. Cook said he thinks there would be a benefit to those municipalities not using Armory Associates because the actuarial assumptions would reflect more of what the group is. He said the Consortium's 5% premium rate increase is below what is normal and that standard assumption for long-term interest rates for insurance trends on GASB45 is at 8%.

Following discussion it was the consensus of members to move in the direction of adding this to the menu of services provided by the Consortium. Mr. Barber will draft a resolution for the Committee to consider at its next meeting to move forward with contracting for GASB45 services on a Consortium-wide basis for fiscal year ending 2015. Mr. Locey will provide Mr. Barber with sample request for proposals to use for this but noted he will abstain from reviewing responses due to his firm's association with Armory Associates.

Rescheduling of November and December Meetings

The Committee moved its meeting schedule to the 4th Tuesday of each month at 3 p.m. The Committee will meet on November 20th and December 18th.

Retiree Health Insurance

Mr. Barber said the Municipal Cooperative Agreement states that "Participation in the Plan(s) by some, but not all, collective bargaining units or employee groups of a Participant is not encouraged and shall not be permitted absent prior Board approval. Further, after obtaining approval, any Participant which negotiates an alternative health insurance plan offering other than the plan offerings of the Consortium with a collective bargaining unit or employee group may be subject to a risk charge as determined by the Board." He said the Consortium has not enforced this but there are some bargaining groups within municipalities that did not join when the Consortium first started and there are a few employers that had a Medicare Supplement that have not taken them off of that. He said members should consider how to move forward with this in the future.

Mr. Locey said the theory is that if a municipality is in the Consortium it is in for all of its employee groups to avoid having an option for a group to be covered by an outside plan. At the present time the largest group where this is happening is the retirees. Mr. Salton said the Village of Cayuga Heights Teamsters are not in the Consortium because they are receiving lower rates and asked what liability the Village incurs by not having the Teamsters in the Plan. Mr. Locey said there is likely none if it is the Teamsters and the Teamsters retirees. If the Teamsters were not included but the retirees were it would be different because of the issue of adverse risk selection.

Discussion followed concerning inconsistency with some municipalities covering all of their covered lives and others not. There was a moderate proposal to make municipalities aware of the requirement and ask for input on what they and the Consortium can do to gain compliance. Mr. Cook asked about developing strong marketing material on Medicare Supplement Plan as a way to gain retirees from municipalities that already had an outside Medicare supplement and haven't moved their retiree population into the Consortium Plan.

Next Meeting Agenda Items

The following items will be included in the next agenda:

- Recommend approval of Excellus Administrative Services Contract;
- Recommend policy for new members joining the Consortium with regard to initial investment;
- Recommend policy for non-proration of premiums;
- Recommend request for proposal to be issued for GASB45 services;

Adjournment

The meeting adjourned at 3:20 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk



Municipalities building a
stable insurance future.

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**RESOLUTION NO. - AMENDMENT TO RESOLUTION NO. 005-2012 - POLICY FOR
NEW MEMBERS WITH REGARD TO INITIAL INVESTMENT**

WHEREAS, Resolution No. 005-2012 adopted by the Board of Directors states:

4. "Upon the Board of Director's approval of membership into the Consortium, the municipal corporation must pay their share of the "Surplus Account" as defined in §4706(a)(5)(A) which states the following:

(5) a surplus account, established and maintained for the sole purpose of satisfying unexpected obligations of the municipal cooperative health benefit plan in the event of termination or abandonment of the plan, which shall not be less than:

(A) five percent of the annualized earned premium equivalents during the current fiscal year of a municipal cooperative health benefit plan which consists of five or more participating municipal corporations and covers two thousand or more employees and retirees; or"

Said payment must be received by the Consortium 30 days prior to the effective date of the municipal corporation's entry into the Consortium.", and

WHEREAS, the liability to the surplus reserve account of increased premium occurs on day one of the adding contracts from a new member municipality, and

WHEREAS, statistically new members pay more in premium their first year than claims, and

WHEREAS, currently the Consortium has a reserve base that didn't exist in the early years of the GTCMHIC operations, and

WHEREAS, on the date of this resolution, all Consortium members have had their Surplus Reserve funds returned, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the GTCMHIC recommends Resolution No. 005-2012, item #4 be amended as follows:

Consortium Members:

County of Tompkins ~ City of Ithaca ~ City of Cortland ~ Town of Caroline ~
Town of Danby ~ Town of Dryden ~ Town of Enfield ~ Town of Groton ~ Town of Ithaca ~ Town of Lansing ~
Town of Ulysses ~ Village of Cayuga Heights ~ Village of Dryden ~ Village of Groton ~ Village of Trumansburg

RESOLUTION NO. - AMENDMENT TO RESOLUTION NO. 005-2012 - POLICY FOR NEW MEMBERS WITH REGARD TO INITIAL INVESTMENT

4. "At the time of acceptance of applicant by Board resolution, the Board of Directors will determine the terms for their share of the "Surplus Account" which is defined in §4706(a)(5)(A) to be

"an account, established and maintained for the sole purpose of satisfying unexpected obligations of the municipal cooperative health benefit plan in the event of termination or abandonment of the plan, which shall not be less than five percent of the annualized earned premium equivalents during the current fiscal year of a municipal cooperative health benefit plan which consists of five or more participating municipal corporations and covers two thousand or more employees and retirees"

The Board of Directors will consider waiving all or part or none of the new members Surplus Reserve liability by reviewing at least these impacts:

- Impact on Surplus Reserve when adding the new contracts;
- Existing unreserved fund balance available to move to the Surplus Reserve Fund; and
- The terms for returning payment if such Surplus Reserve Fund payment is deemed appropriate

Said payment must be received by the Consortium 30 days prior to the effective date of the municipal corporation's entry into the Consortium".

* * * * *

Consortium Members:

County of Tompkins ~ City of Ithaca ~ City of Cortland ~ Town of Caroline ~
Town of Danby ~ Town of Dryden ~ Town of Enfield ~ Town of Groton ~ Town of Ithaca ~ Town of Lansing ~
Town of Ulysses ~ Village of Cayuga Heights ~ Village of Dryden ~ Village of Groton ~ Village of Trumansburg



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RESOLUTION NO. - PRO-RATED PREMIUM POLICY

WHEREAS, persons leaving municipal employment can be covered under Cobra and the Cobra window starts on the end of the month, and

WHEREASE, Excellus administrative fees are calculated on whole month basis, beginning at the start of the month, and

WHEREASE, the Greater Tompkins County Municipal Health Insurance Consortium Chief Financial Officer requests a comprehensive and uniform policy be established for premium billing, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors adopts a policy that health insurance premiums be invoiced on one month increments.

* * * * *

Consortium Members:

County of Tompkins ~ City of Ithaca ~ City of Cortland ~ Town of Caroline ~
Town of Danby ~ Town of Dryden ~ Town of Enfield ~ Town of Groton ~ Town of Ithaca ~ Town of Lansing ~
Town of Ulysses ~ Village of Cayuga Heights ~ Village of Dryden ~ Village of Groton ~ Village of Trumansburg